



PROVO MUNICIPAL COUNCIL

Redevelopment Agency of Provo

Regular Meeting Minutes

12:07 PM, Thursday, May 19, 2016

Room 200, Municipal Council Chambers

351 West Center, Provo, Utah

Opening Ceremony

Roll Call

THE FOLLOWING MEMBERS OF THE COUNCIL AND ADMINISTRATION WERE PRESENT:

Council Member Kim Santiago
Council Member David Harding
CAO Wayne Parker
Deputy City Attorney Brian Jones

Council Member George Stewart
Council Member David Knecht
Council Executive Director Clifford Strachan

Excused: Council Members David Sewell, Vernon K. Van Buren, and Gary Winterton.

Conducting: Council Chair Kim Santiago

Invocation and Pledge – Clifford Strachan – Council Executive Director

Mayor's Items and Reports

- 1. Resolution 2016-19 approving a Memorandum of Understanding with PEG Development to provide for the payment of project related impact fees using Tax Increment generated from the development of the project. (16-067)**

David Walter, Redevelopment Agency Director, presented. The proposed MOU was for the development of City View Apartments. Peg Development, operating as Temple View Partners LLC, acquired the property and proposed 159 units in three structures on the property. In order to pay their impact fees they were asking to use tax increment that would be generated by the project. They were willing to enter into an MOU which stated that if there was a deficit at the end of the tax increment period they would make up the deficit.

Mr. Walter reported that PEG had met with Utah County and the Provo School District. Both entities were willing to sign interlocal agreements with the RDA in order to participate. PEG had also requested that if there was tax increment available at the end of the project that they could use the balance to reimburse themselves for some of the other fees associated with the development.

Mr. Jones stated he did not understand using tax increment to reimburse fees. Mr. Walter explained the impact fees were about \$692,000. The City had requested a maximum of \$880,000 over the course of ten years. The amount of tax generated would depend on what value the project was listed at on the tax rolls. There was no guarantee there would be the full \$880,000 over that ten year period (the amount projected for all four entities – Provo City, Provo School District, Utah County, and the water conservation district). PEG was running the risk that they would not meet the \$692,000 and were willing to make up the shortfall at the end of the ten year period. If the tax increment was slightly higher they were just requesting the extra amount.

All four entities would enter into separate interlocal agreements to have the tax increment go to the RDA then the RDA would pay off the impact fees and, if there was anything left over, it would go to PEG Development.

Mr. Jones pointed out that reimbursement of tax increment was an agreement between PEG and Provo City only. The reimbursement issue needed to be addressed in the interlocal agreement with the RDA. To clarify, we were not waiving any of the fees, the tax increment would come to the city as accrued to pay the impact fees rather than require the impact fees to be paid in full up front.

In response to a question from Mr. Knecht, Mr. Walter said some tax increments were rebated directly to the developer. There were also some developments in the Mountain Vista Business Park that were getting their increment on a sliding scale. The increment was based on the projected value of the project minus the current value of the property. The proposed agreement was for a ten year period which was typical for this area. Some were a little higher, such as the mall, which was 20 years.

Mr. Harding pointed out that if we did not sign this agreement we would get \$692,000 for impact fees, all other fees, and also the property tax from the development.

Mr. Harding noted we were offering tax increment financing in order to spur development in our downtown. At what point would we say it was not in our best interest to give away property taxes? Development in downtown Provo was making good progress and he felt, at some point, we needed to start signaling that we think it was a privilege to grow in Provo rather than paying developers to build in Provo. Maybe reduce our participation from 95 percent to 90 percent. He estimated a five percent change would be about \$13,000 on a \$20 to \$30 million dollar project. It was a token amount but it was mostly a signal to future developers.

Chair Santiago liked the development. She felt we were lacking market rate developments in the downtown. We needed to encourage more of this type of market rate developments because we already had a lot of low income tax credit (LITC) financing. The council was looking for balance in the downtown area.

Mr. Stewart thought it was important to get market rate apartments in the downtown area. Everything they had so far (other than one small development) had been income subsidized. Once this development was completed we can show that this type of development would succeed in Provo. It would be a much nicer development with the tax increment.

Mr. Walter stated that the action taken at the RDA Executive Board Meeting was to move this item forward. The item that would go to the RDA Board for approval would be the interlocal agreement spelling out the percentages.

He noted that the 63 East project did not have tax increment financing but they received a discounted price on the property as well as parking spaces in the Well's Fargo building.

Mr. Knecht said that, based on experience downtown with various project, we have issues with parking, parking structures, cost of property, and cost of redevelopment. We were incentivizing certain things but the ones we are not incentivizing were coming in with LITC to make them work, which was another type of subsidizing. How likely would it be that someone came into downtown with a market rate project and did not need a subsidy? Mr. Walter stated the old Provo Paint business on the corner of 200 West Center was being substantially remodeled and Joe Vera's would be moving there. The owner did not receive any subsidies. He felt that the remediation of most of the buildings along Center Street would require some type of subsidy. The Central Business District Redevelopment Project Area ended in 2015 so that took away one of their options. They were looking at projects with other developers that might pick off pieces in the downtown. They recently recorded the new plat map for the new courthouse so the developer could start construction on the new Hyatt Hotel. We might see renewed interest with other parties coming into the area.

Motion: Council Member George Stewart moved to approve **Resolution 2016-19** approving a Memorandum of Understanding with PEG Development to provide for the payment of project related impact fees using Tax Increment generated from the development of the project. The motion was seconded by Council Member David Harding.

Roll Call Vote: The motion passed 4:0 with Council Members Harding, Knecht, Santiago, and Stewart in favor. Council Members Sewell, Van Buren, and Winterton were excused.

Adjourn

Motion: Council Member David Harding moved to adjourn at 12:36 p.m. The motion was seconded by Council Member David Knecht.

Roll Call Vote: The motion passed 4:0 with Council Members Harding, Knecht, Santiago, and Stewart in favor. Council Members Sewell, Van Buren, and Winterton were excused.